

## Message Text

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ORIGIN EB-03

INFO OCT-01 SS-14 ISO-00 AF-04 TRSE-00 XMB-01 COME-00

AID-10 SSO-00 OMB-01 EUR-10 NSC-10 NSCE-00 CIAE-00

INR-10 NSAE-00 RSC-01 INRE-00 CIEP-01 IGA-01 INT-01

PRS-01 /069 R

DRAFTED BY EB/IFD/ODF:EMLINTON:CU

APPROVED BY EB/IFD/ODF:REBENEDICK

AF/E:TJBURKE

TREAS:JFIECHTER

EXIM:RAULD

AID/PPC/IA:CGULICK

COMM:RSHAW(INFO)

S/S-O: G. TWOHIE

----- 017800

O R 042348Z OCT 73

FM SECSTATE WASHDC

TO AMEMBASSY LUSAKA IMMEDIATE

INFO AMEMBASSY LONDON

C O N F I D E N T I A L STATE 198201

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, EXIM, EIND, ZA

SUBJECT: ZAMBIAN MINI-STEELMILL PROJECT

REF: LUSAKA 1807

1. EXIMBANK IN JUNE AND SEPTEMBER PRESENTED PROPOSAL TO NATIONAL ADVISORY COUNCIL (NAC) FOR MINI STEEL PROJECT IN ZAMBIA. PROJECT COST WAS DOLS. 94.2 MILLION WITH EXIMBANK REQUESTED TO LOAN AND GUARANTEE DOLS. 45 MILLION PLUS LOCAL COST GUARANTEES OF DOLS. 7.5 MILLION. MAJORITY OF NAC MEMBER AGENCIES VOTED AGAINST PRELIMINARY COMMITMENT (PC) BOTH  
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TIMES ON BASIS THAT AVAILABLE INFORMATION DID NOT ESTABLISH

VIABILITY OF PROJECT. AFTER EACH NAC DISCUSSION EXIMBANK INFORMED ENERGOPROJEKT THAT THE CASE WILL BE RECONSIDERED WHEN ADEQUATE ADDITIONAL INFORMATION IS FURNISHED.

2. ACCORDING TO ENERGOPROJEKT INFORMATION SUPPLIED SEPTEMBER, PROVEN IRON ORE RESERVES IN ZAMBIA ARE 250,000 TONS (LESS THAN ONE YEAR'S CONSUMPTION) AND PROBABLE AND POSSIBLE RESERVES IN SEVERAL SMALL DEPOSITS ESTIMATED AT SLIGHTLY OVER 7 MILLION TONS. EVEN ASSUMING SUFFICIENT IRON ORE RESERVES ESTABLISHED, INFORMATION SUPPLIED INDICATES STEEL COMPLEX MAY NEED SPECIAL TARIFF PROTECTION TO COMPETE IN ZAMBIAN MARKET. FINANCIAL PLAN PROPOSED BY ENERGOPROJEKT IS ALSO UNSATISFACTORY. TIKO COMPANY, THE OBLIGOR, OWNED 80 PERCENT BY ZAMBIAN NATIONAL HOLDING COMPANY AND 20 PERCENT BY ENERGOPROJEKT, WOULD HAVE EQUITY OF ONLY DOLS. 1.5 MILLION AGAINST BORROWING OF OVER DOLS. 90 MILLION. DEPARTMENT SUPPORTED MAJORITY NAC VIEW THAT ISSUANCE OF PC WOULD BE PREMATURE UNTIL ABOVE PROBLEMS CLARIFIED.

3. BASIS FOR NAC DECISION WAS EXPLAINED TO ENERGOPROJEKT OFFICE NEW YORK AND YUGOSLAV EMBASSY WASHINGTON BY EXIMBANK. BOTH ASKED IF POLITICAL CONSIDERATIONS WERE A FACTOR IN DECISION AND WERE ASSURED THEY WERE NOT RPT NOT. UNCLEAR WHETHER ENERGOPROJEKT REPORT OF DEPARTMENT POLITICAL OPPOSITION SIMPLE RUMOR-MONGERING OR ATTEMPT BRING PRESSURE TO BEAR THROUGH GOZ TO APPROVE PROJECT WITHOUT REQUESTED ADDITIONAL INFORMATION. FYI DEPARTMENT DID NOT QUERY POST REGARDING PROJECT BECAUSE IT FEARED INQUIRIES WOULD BE INTERPRETED AS ATTEMPT LINK PROJECT TO COPPER INDUSTRY PROBLEMS. END FYI.

4. EMBASSY SHOULD INFORM GOZ THAT:

(A) DECISION NOT TO ISSUE PC WAS BASED PURELY ON EVALUATION OF ECONOMIC AND FINANCIAL FEASIBILITY OF PROJECT. THIS WAS DESIGNED TO PROTECT USG AS LENDER AND GOZ, AS REQUIRED GUARANTOR OF EXIMBANK LOANS.

(B) NEITHER AMAX NOR ANY OTHER PRIVATE PARTY HAS IN ANY WAY ATTEMPTED DISCOURAGE FAVORABLE ACTION ON THIS APPLICATION  
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OR ANY OTHER PENDING PROJECT INVOLVING USG FINANCING.

5. FOR LONDON: YOU CAN AT YOUR DISCRETION REPEAT SUBSTANCE ABOVE EXCEPT PARAGRAPH 3 TO GUNDLACH.

6. AID AND IBRD MADE ADDITIONAL POINT, WHICH WE HAVE NOT RPT NOT DISCUSSED WITH ENERGOPROJEKT, THAT STEEL MILL IF AS MARGINALLY PRODUCTIVE AS IT APPEARS WOULD RANK VERY LOW

ON ZAMBIAN DEVELOPMENT PRIORITIES AS DISCUSSED BY GOZ WITH  
IBRD. DEPARTMENT WOULD APPRECIATE EMBASSY'S ASSESSMENT OF  
DEGREE OF GOZ COMMITMENT TO STEEL PROJECT. PORTER

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 OCT 1973  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** collinp0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition Reason:**  
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**Original Handling Restrictions:** LIMDIS  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ZAMBIAN MINI-STEELMILL PROJECT  
**TAGS:** EFIN, EIND, ZA, XMB  
**To:** LUSAKA  
**Type:** TE  
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